

*Appendix B:*

Montgomery Hills Commercial Center  
Economic Health Analysis



# Montgomery Hill Commercial Center Economic Health Analysis

Maryland-National Capital Park & Planning Commission,  
Montgomery County Department of Park and Planning,  
Research and Technology Center

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# Montgomery Hills Commercial Center Economic Health Analysis

## A. Overview

Montgomery Hills, located just inside the Beltway along Georgia Avenue, is an older commercial district providing shopping opportunities and limited office related activities to the local, and to a lesser extent, the regional market. Retailing occupies two-thirds of the 230,000 square feet of building space; office activity accounts for less than 20 percent of the commercial space. Some of the buildings in the area date back seventy years. The two-story Tudor style row of buildings on the west side of the 9400 block of Georgia Avenue and the 1900 block of Seminary Road were built in the 1920s.

The area's success is tied to a combination of strong local demographics and regional access. Factors that limit retailing success are: poor local circulation, inadequate parking, and need to refurbish older buildings if they are to remain competitive and attract quality tenants. The limited success of the area is not due to a lack of market support, but rather, characteristics of the area's physical environment. The area appears weathered, but its prognosis is favorable; by capitalizing on the strengths and treating the deficiencies, the district can do even better economically.

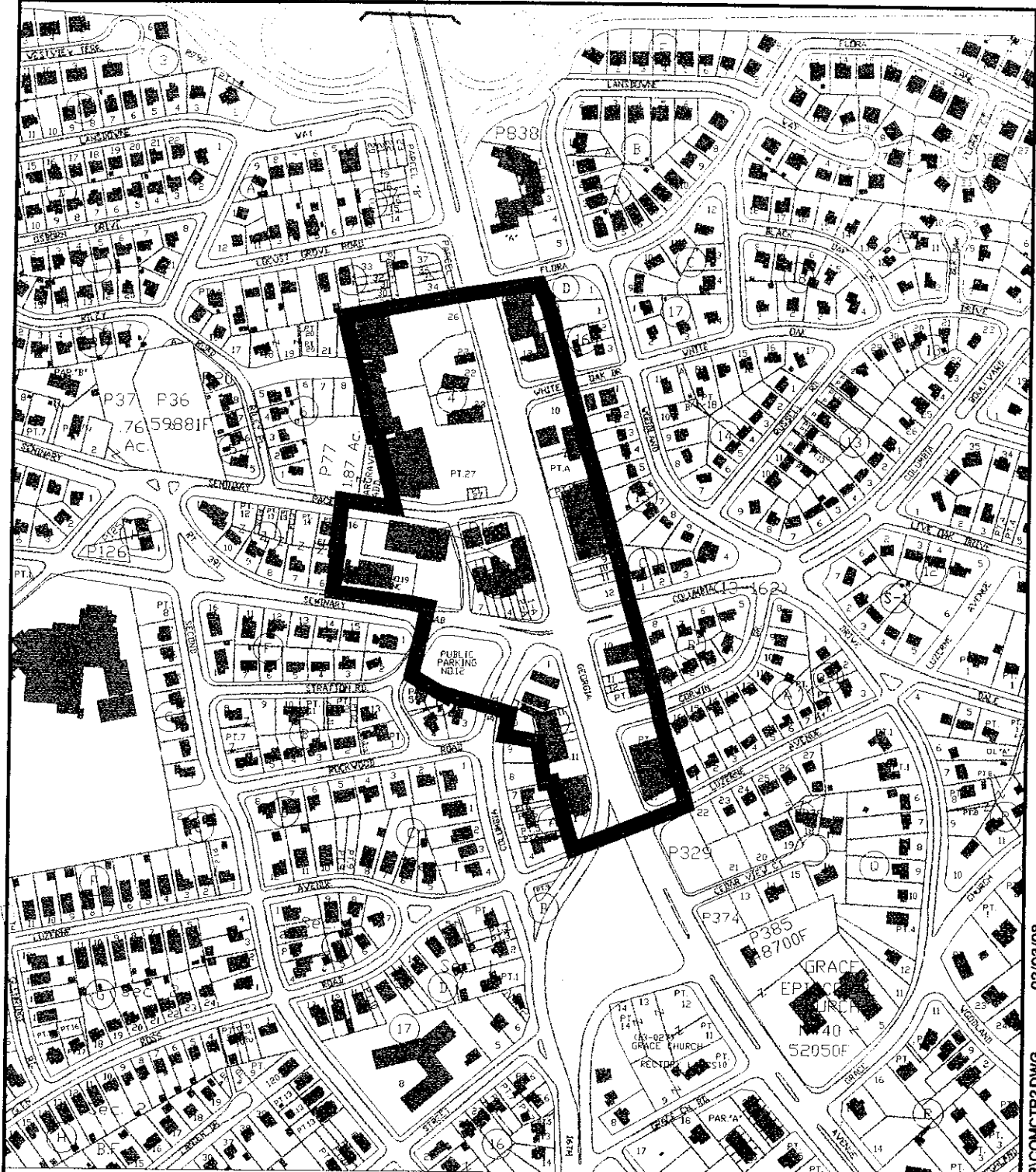
### Purpose

The purpose of this study is to evaluate the economic health of the Montgomery Hills commercial center. It has been completed as a resource for the Silver Spring/Takoma Park Community-Based Team in conjunction with the update of the North and West Silver Spring Master Plan. The report documents the current physical characteristics of the area, summarizing both its competitive advantages and deficiencies, along with a profile of the area businesses. Locational attributes and neighborhood demographics are also evaluated to determine the potential market support for retailing. These elements are reviewed together to develop potential action strategies for the area to assure and improve the economic strength of the community.

### Study Area

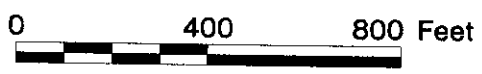
The Montgomery Hills commercial center covers roughly 18 acres along both sides of Georgia Avenue from just south of the Beltway to Sixteenth Street (Refer to location map). Commercial properties on the east side of Georgia Avenue are shallow, extending roughly 100 feet. On the west side, commercial parcels are generally deeper, ranging from less than 100 to 400 feet.

# Montgomery Hills Commercial Center



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 Study Area Boundary



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## Report Format

The report comprises 6 sections:

Findings  
Tenant, Broker, Owner Interviews  
Existing Conditions  
Retail Market Analysis  
Office Market Analysis  
Potential Actions

## **B. Findings**

- Most area businesses contacted consider the area healthy.
- Ground floor retail space in commercial buildings is fully occupied.
- Retail space turnover for ground floor retail space is minimal according to area retailers who were interviewed.
- According to business and property owners who were interviewed, the area's greatest assets include the high volume of traffic along Georgia Avenue and strong neighborhood demographics.
- Interviewees expressed a shortage of parking, poor local circulation, and congestion as the area's major drawbacks.
- Most commercial blocks are deficient in parking.
- Half of the businesses contacted believe the area has improved over the last several years.
- Several merchants expect positive impact on Montgomery Hills from the Downtown Silver Spring Town Center development proposal.

## C. Tenant, Broker, & Owner Interviews

Interviews with tenants, real estate brokers, and property owners provide valuable insights to the economic health of Montgomery Hills. Twenty interviews were completed including a minimum of two interviews from each of the district's commercial blocks. Opinions were sought on the area's performance, outlook, concerns, and ideas for ways to improve the area.

1. **Just over half the respondents consider the area healthy.**

While the majority of interviewees considered the area healthy, one retailer felt the area was doing poorly, the others considered the overall performance of the commercial area fair.

2. **The area's strongest assets according to respondents were the high volume of traffic along Georgia Avenue and strong neighborhood demographics.**

Additional positive aspects of the area include regional access, visibility, proximity to the Capital Beltway, character of older buildings, recent building improvements and the addition to Seminary Place.

3. **Fifty percent of the interviewees stated the area has improved, 30 percent feel it's stagnating, 20 percent feel the area has declined in recent years.**

Signs of the area's improved status included higher sales, greater activity in general, the addition to Seminary Place and improvements made to area buildings. Current development proposals for the Silver Spring arc seen as having a positive impact on Montgomery Hills. Many respondents feel that some of the buildings are run down and in need of a refurbishment. The 9400 block of Georgia Avenue was mentioned several times as needing upgrading.

4. **Over half the interviewees consider local circulation and/or congestion to be the greatest problems.**

The high volume of traffic appears to be both a blessing and a curse among retailers. Turn restrictions on Georgia Avenue make local circulation difficult during peak traffic periods. The lack of convenient parking is also a major issue.

In addition to improving local circulation, interviewees recommended better lighting along sidewalks, improving parking and the visibility of public lots, and upgrading the appearance of the area.

## D. Existing Conditions

The limited success of the commercial center is not a result of a lack of market support, but rather, the physical characteristics of the area. Circulation problems, lack of ongoing maintenance of older buildings, and limited parking undermine the area's potential.

### Physical Layout and Circulation

Montgomery Hills is situated along one of the County's busiest north-south thoroughfares, Georgia Avenue, one block from a Beltway interchange. As part of a regional transportation system it is difficult for the area to function as a neighborhood retail center. To keep traffic moving during peak traffic periods, turning restrictions have been placed along Georgia Avenue making local circulation difficult. At the same time, good regional access and increased pass-by traffic provides for potentially greater market support and additional retailing opportunities. There is little, if anything, that can be done to increase the amount of development within the current commercial zoning envelope, since there is limited vacant land and most of the existing buildings are close to Georgia Avenue.

1. **The pattern of commercial development along Georgia Avenue predates regional traffic flow on this major north/south corridor.**

Parts of the Montgomery Hills commercial area date back seventy years. The two-story Tudor style row of buildings on the west side of the 9400 block of Georgia Avenue and 1900 block of Seminary Road were built in the 1920s. Commercial development over the next 40 years moved north and south along Georgia Avenue from Seminary Road. The group of buildings directly across the street, containing Ace Hardware, Bigg Wolf Video and the Tropical Aquarium, were built in the 1930s. The 9300 block of Georgia Avenue containing Woodside Deli was completed in the 1940s, and then the 9200 block in the 1950s. Most of the area's buildings were completed by the mid 1960s when the Beltway opened. Development during the last twenty years has been predominantly infill, with the latest significant development coming in 1993 with the completion of the row of in-line stores between the former Peoples Drug and Safeway, now CVS, West Coast Video and Staples, respectively. The area is considered nearly built-out; any new development would most likely require demolition and even more limited parking than exists today.

2. **Increased regional traffic flow negatively impacts local circulation.**

Increased regional traffic aggravates congestion in Montgomery Hills. Left hand turn prohibitions along both the north and south-bound lanes of Georgia Avenue, from the Beltway to Sixteenth Street, during the morning and evening peak periods limit access to retailers. This has a negative effect on existing retail tenants and reduces the attractiveness of the area to new retailers.

## Parking

Lack of parking and small building floor plates make it difficult to market space to newer retail forms. Multiple ownership of buildings within a single block makes building rehabilitation unlikely.

### 3. Lack of adequate and convenient parking is a problem for retailers.

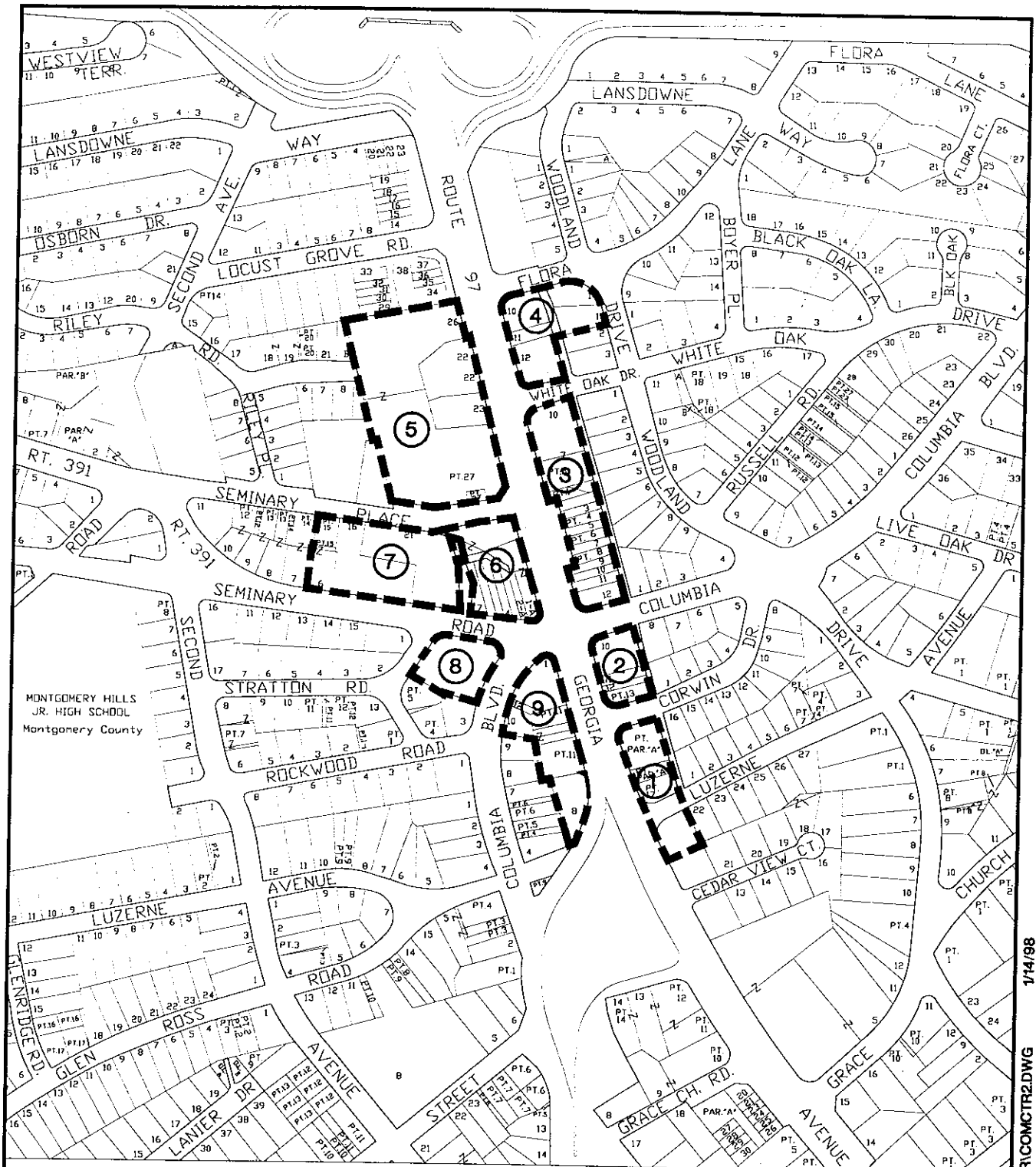
Among retailers interviewed, lack of parking was viewed second only to local circulation/traffic as the most critical problem facing the area. General rules of thumb for parking are 4.0 spaces per 1,000 square feet of gross building area for office and 5.0 per 1,000 square feet of general retail space; the ratio is higher for restaurants. The overall parking ratio for the district is 3.04 per 1,000 square feet. This includes all parking spaces within the district, including metered street parking, public lots, and private lots outside the commercial area used by businesses within the area. The following table shows parking ratios for each block (refer to map 2).

**Parking Space by Block**

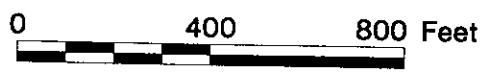
Block #	Parking Spaces	Office GFA	Retail GFA	"Other" GFA	Total GFA	Parking Spaces per 1,000 sq.ft.
1	54	0	18,100	0	18,100	2.98
2	32	0	6,600	2,700	9,300	3.42
3	67	2,800	27,900	12,800	43,500	1.54
4	78	20,900	6,600	0	27,500	2.83
5	232	0	47,000	0	47,000	4.94
6	51	1,900	19,400	5,500	26,900	1.90
7	90	0	14,700	12,500	27,200	3.31
8	68	0	0	0	0	n/a
9	56	20,800	10,100	2,100	33,000	1.69
Total	728	46,400	150,500	35,700	232,600	3.13

Note: Columns and rows may not total due to rounding.

# Block Identification Numbers



Block ID Number



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Of the nine blocks that make up the Montgomery Hills commercial area, only Seminary Place (block # 5) came closest, at 4.9 spaces per 1,000 square feet, to meeting the industry accepted parking ratio of 5 spaces per 1,000 square feet of retail space. Block 9 has the lowest parking ratio at 1.60. The corner office building at 9300 Georgia Avenue, included in block 9, has no on site parking, which is reflected by its poor market performance.

In addition to availability of parking, the convenience of parking is also an important component of where people decide to shop. Parking spaces need to be a convenient distance and provide a safe and unencumbered route from car to destination. Acceptable walking distance from parking to shopping should not exceed 400 feet. While the area's two public parking lots are centrally located, they do not satisfy the overall demand for space or provide a safe and convenient walk to area shops and businesses. In addition, many businesses report that shoppers are unaware of public parking, due to poor visibility and inadequate signage.

### Buildings

**4. Changes in retailing form and requirements of new retail chain tenants do not conform with older buildings.**

Floor plates of older buildings are too small for increased space demands of newer chain retailers. The lack of convenient parking is an especially acute problem for these older buildings. In combination, the smaller tenant spaces and lack of convenient parking, make it difficult to attract a larger assortment of tenant types.

**5. Refurbishment and upgrading building appearance limited to larger properties.**

Individual property ownership patterns and minimal financial incentive to improve the appearance of the buildings limit upgrade. While several renovations have occurred on larger buildings, blocks with several small buildings appear neglected and need of refurbishment. Without the coordinated action of property owners to refurbish buildings, it is possible that individual owners may not envision a benefit in improving the appearance of their own property.

**6. A change in retail use for many of the older buildings may require a large amount of capital relative to the potential investment return.**

Depending on the change in use and whether or not the space was previously used by a similar type of activity as defined by the building code (BOCA), the conversion process for a new tenant can vary from simple to complex. If a change in use and/or occupancy permit is required, the financial costs may be overwhelming. Older buildings planning a major rehab or considering a change of use often incur the expense of compliance with current building, life safety and access codes.

## E. Retail Market Analysis

Montgomery Hills provides shopping opportunities and limited office related activities to the local, and to a lesser extent, the regional market. Based on field surveys conducted by Research staff and data compiled from the Tax Assessor's parcel file, there are approximately 230,000 square feet of commercial space at Montgomery Hills.

Retailing is the predominant commercial activity in Montgomery Hills, occupying two-thirds of the study area's commercial space inventory. The office sector plays a smaller role in the study area's business base, accounting for less than 20 percent, or roughly 46,000 square feet, of the area's commercial space. The type of office tenants attracted to the area tend to be small local business professionals. Also included in the area's commercial space inventory is the 12,500- square-foot Montgomery Hills Fire Station, which is included in the 35,674 square feet of building space classified as "other" (in addition to residential units and storage, space of undetermined use was also categorized as "other"). The table on the following page provides a breakdown of activities by use.

### Montgomery Hills Retail Market

1. **Just over 50 percent of the area's retail businesses are considered neighborhood serving, providing the day-to-day goods and services required by nearby residents.**

Neighborhood-serving retail represents just over 50 percent of the occupied retail space. The center's great regional access also attracts a number of regional or specialty stores, representing 35 percent of the retail space. Major regional tenants include Staples, Computer Age, and the Washington Golf Center. Proximity to the Capital Beltway is the location impetus for the large number of auto-related businesses.

2. **First floor retail space is fully occupied.**

The area's strong market is reflected by full occupancy of first floor retail space. Vacant space located on second and third stories of area buildings, which could be used for retailing totals 1,337 square feet, less than 1.0 percent of the area's non-office space.

3. **Retail space turnover for ground level retail space is minimal according to area retailers.**

Excluding the refurbished and expanded Seminary Place, most tenants have been in the area for over ten years. The small retail strip along the west side of the 9300 block of Georgia Avenue (block 9) was pointed out as experiencing tenant turnover regularly. One long term retailer of that block explained that "turning restrictions on Georgia Avenue and limited parking were the reasons for greater turnover. However, following the upgrade of the center within the last year, higher quality tenants have moved in."

## Montgomery Hills Commercial Space Inventory, 12/98

Activity	Total Establishments	Estimated GFA	Major Categories % of Total
<b>Retail Activities</b>			
<b>Neighborhood Retail</b>	<b>31</b>	<b>76,000</b>	<b>32.7%</b>
Bank	1	3,400	
Food & Drug	2	23,100	
Eating & Drinking	11	18,400	
Hair & Nails	6	7,300	
Miscellaneous	11	23,800	
<b>Retail Specialty</b>	<b>15</b>	<b>53,200</b>	<b>22.9%</b>
<b>Auto Related</b>	<b>9</b>	<b>21,300</b>	<b>9.2%</b>
<b>Sub-Total</b>	<b>55</b>	<b>150,500</b>	<b>64.7%</b>
<b>Non-Retail Activities</b>			
<b>Office</b>	n/a	<b>46,400</b>	<b>19.9%</b>
-Occupied	n/a	40,200	
-Vacant	n/a	6,100	
<b>Other/Unknown</b>		<b>23,200</b>	<b>10.0%</b>
-Occupied	9	21,800	
-Vacant	2	1,300	
<b>Public</b>	1	<b>12,500</b>	<b>5.4%</b>
<b>Sub-Total</b>	<b>n/a</b>	<b>82,100</b>	<b>35.3%</b>
<b>Grand Total</b>	<b>n/a</b>	<b>232,600</b>	<b>100.0%</b>

Source: Data compiled from a combination of field visits and the Tax Assessor's Parcel File.



4. **Low rents in older buildings, relative to new centers, attract lower sales per square-foot tenants.**

Many start up businesses and tenants with low sales per square-foot locate in older buildings. Second floor space attracts small tenants and turnover appears to be higher.

5. **The retailing pattern is segmented.**

Small buildings and multiple owners result in a segmented retail environment. There is little opportunity for the synergy created by complimentary uses to be located next to one another for convenient one stop, multiple destination shopping that is achieved at larger centers under single management control.

### Area Demographics

The primary trade area for Montgomery Hills neighborhood retail goods and service is approximately a one mile radius (the primary trade area is defined as the geographical area where the majority of dollars spent on retail goods and services will come from). The boundaries include Dennis Avenue to the north, Colesville Road to the east, Spring Street to the south and Sixteenth Street and the CSX railway tracks to the west (refer to map 3). Regional-serving shops have much larger market areas that vary by retailer.

6. **The primary trade area for the Montgomery Hills commercial center reflects the surrounding retail competition and physical barriers limiting access to the area.**

Neighborhood retailing destinations at Kensington, Wheaton, Silver Spring and to a lesser extent Four Corners provide competition for Montgomery Hills neighborhood retailers. In addition, the CSX tracks to the west and Capital Beltway provide natural barriers which limit access to the Montgomery Hills commercial center.

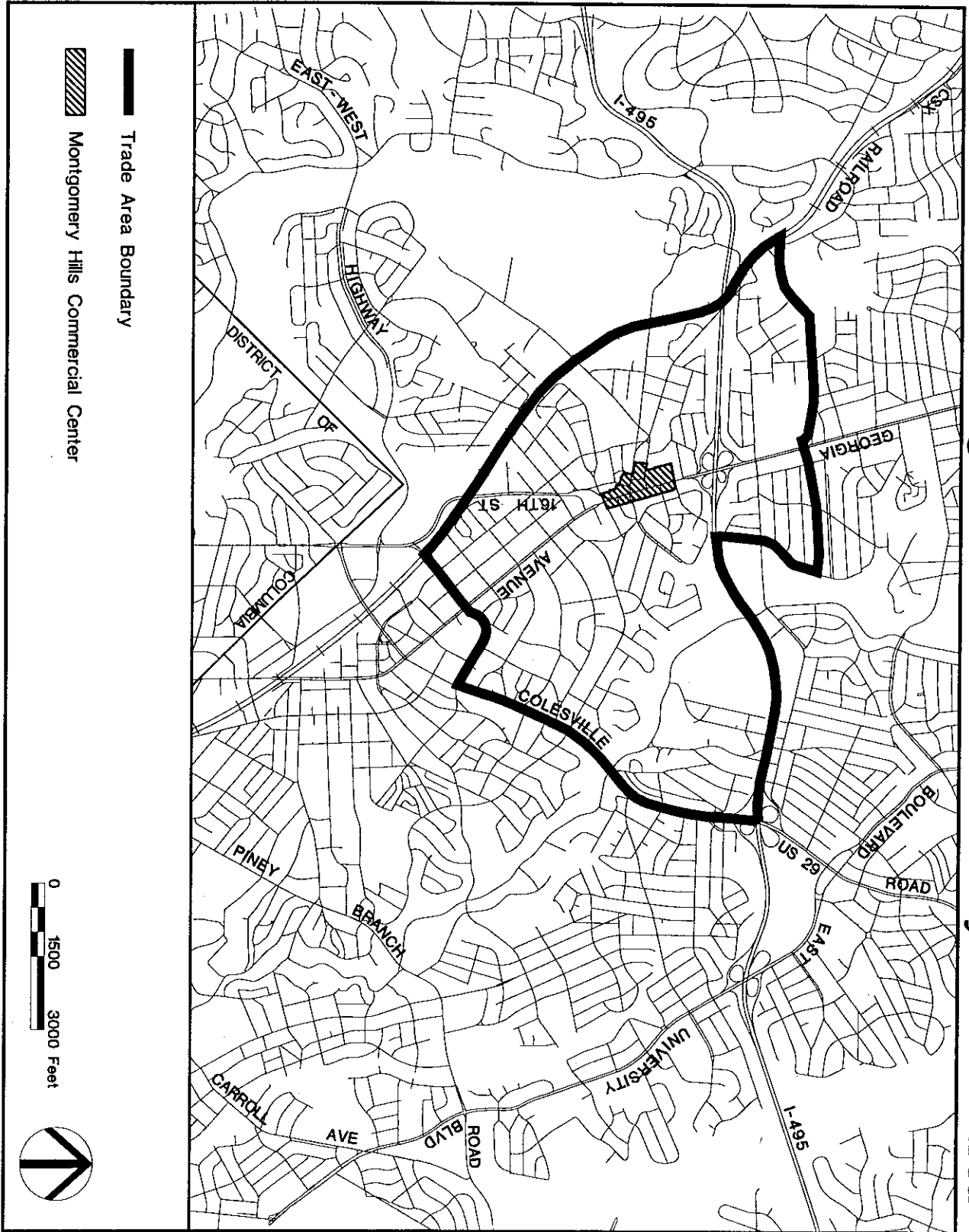
7. **The primary trade area population remained stable between 1990 and 1995.**

Total population for the primary trade area is estimated at 11,900, decreasing less than 1 percent over the five year period. As younger households have started to move into the area, the population is expected to increase slightly, due to an increase in the average household size.

8. **The estimated number of households increased from 5,400 to 5,460 between 1990 and 1995.**

Minimal household growth within the primary trade area is projected due to a lack of vacant sites within the area.

Montgomery Hills Neighborhood Retail Primary Market Area



9. The 1995 average household income for the primary trade area is estimated at \$69,700.

The average household income in the market area is the highest among the greater Silver Spring residential communities, but lower than Montgomery County's. The highest average household incomes, exceeding \$125,000, were found in the neighborhoods just north of Spring Street between Georgia Avenue and Colesville Road.

### Supportable Space Analysis

The estimation of the potential retail space that can be supported in Montgomery Hills is limited to neighborhood serving retail goods and services. The area's specialty stores draw from a much larger market area and would be based on individual tenant assumptions. General comments regarding the specialty and regional stores are provided.

10. With an estimated expenditure of \$22 million by primary area residents for grocery store goods and services, Montgomery Hills could support a full service, 40,000-square-foot-plus grocery store.

Area grocery store space totals 14,700 square feet. The likely inclusion of a Fresh Fields as a tenant at the proposed Downtown Silver Spring Center would fill some of the unmet demand for grocery store space in the area.

11. The lack of vacant land for a larger grocery store provides the opportunity for smaller retailers specializing in food services retailing and other related grocery goods and services product lines to fill the current under supply in the market.

Possible grocery related retailing opportunities include potential support for a bakery, convenience store, natural foods and health store, or a general home products store.

12. Sniders Super Market is a 14,700-square-foot grocery that performs at a level of a grocery store double its size.

While the Sniders Super Market on Seminary Road is small and inefficient by today's grocery store standards, its high level of customer service and success in dealing with its physical deficiencies is a testament to great marketing and providing a quality product. The loyalty of Sniders Super Market customers is head and shoulder above the competition and should be a lesson to other retailers. Sniders Super Market is an anchor and important underpinning of the commercial and residential communities neighboring Montgomery Hills.

13. The area's eleven eating and drinking establishments total 18,410 square feet of space.

While the amount of space devoted to restaurants and cafes in Montgomery Hills exceeds the amount of space supported by the residents of the primary market area, the draw from office buildings within a five-minute drive add to the market support. According to one of the managers of a popular restaurant in Montgomery Hills, their lunch-time patron list "include employees from NIH, downtown Silver Spring, Holy Cross Hospital and Brookville Industrial area." With strong local demographics and good regional access, it is possible that the area could support additional restaurants, perhaps of a higher quality to complement some of the area's higher income households.

The four coffee/donut shops along the west side of Georgia Avenue are a good example of retailing that takes advantage of the additional market support attributable to the pass-by traffic of morning commuters on their way to work in Silver Spring and downtown Washington.

14. Regional access draws specialty retailers.

However, lack of space, both land and buildings, and the physical characteristics of the area limit opportunities for an increase in high quality specialty retailers.

## **F. Office Market Analysis**

The area's inventory of commercial space devoted to office activities is estimated at 46,000 square feet. Almost 90 percent of the area's office space is located in two office buildings located at opposite ends of the commercial area. Limited office space is located on the second and third floors of some multiple tenant buildings.

### **1. Area office tenants are small, locally-serving business professionals.**

A survey of office building tenant lists and interviews with commercial leasing agents revealed office space users in Montgomery Hills to be mainly locally based professionals. The typical office tenant is a small user of space, less than 1,000 square feet. The types of local office professional in the center include: accountants, doctors, insurance, financial, travel and real estate offices. According to one leasing agent, "access and competitive rates attract office tenants to these buildings."

### **2. The current office vacancy rate is 13.2 percent.**

Of the 6,140 square feet of vacant space, 93 percent is located at 9300 Georgia Avenue (block 9). According to the building owner, the single reason for the building's 40 percent vacancy rate is the lack of on-site parking. In addition, the type of tenants attracted to the building tend to pay less for the space and turnover is frequent. The office building at 9525 Georgia Avenue (block 4) is currently over 98 percent occupied, according to the building's leasing broker. This building does provide parking behind the building.

### **3. Rental rates mirror older space located in the Silver Spring CBD.**

Average full service rental rates range from \$9 to \$13 a square-foot. Rental rates were as high as \$15 to \$17 a square-foot prior to the real estate down-turn in the early 1990s. According to the office owner at 9525 Georgia Avenue, "improvement in the Silver Spring CBD's office market has a trickle-down effect for us. New development proposed for the CBD will have a positive effect on our building, as well as the rest of Montgomery Hills."

## G. Potential Actions

- Restricted turning movements at peak traffic times reduce access to businesses and hurt retailing activities. County and State agencies need to review options which would remove turning restrictions. Given traffic volumes during peak periods and projected growth in traffic, changes to circulation patterns need to be evaluated as part of comprehensive improvements to Georgia Avenue.
- Additional parking, especially on under served blocks, would improve the health of the retail and office uses. One possible location for additional parking mentioned in interviews is along Columbia Boulevard behind the west side of the 9300 block of Georgia Avenue. This block was identified as an issue in the final *Purpose and Outreach Strategy Report - North and West Silver Spring*.

A recommendation on whether the parking area should be expanded on this block is beyond the scope of this report because it impacts the residential character of the neighborhood and will be evaluated through the master plan process. In addition, residents have expressed an interest in incorporating additional parking along Georgia Avenue if the Georgia Avenue and 16th Street intersection is reconfigured

- While several property owners have refurbished and maintained the physical appearance of their buildings, others have not. Maintaining an aesthetically pleasing environment for shoppers is an important element in the success of retailing. Maintaining an attractive commercial area ranges from the day-to-day maintenance and clean-up of the area to capital projects, including resurfacing paved parking areas and upgrading the interior and exterior of buildings.
- Past efforts by the County to contact and work with Montgomery Hills property owners did not generate interest from area business owners. Revitalization efforts by County agencies may be better spent focusing on blocks most needing attention. Improving the areas in greatest need may encourage other properties to improve.

Focusing renovation assistance on the blocks with multiple small owners, combined with flexible compliance requirements for non-safety issues, could raise return-on-investment ratios to a more favorable position and encourage property renovation.

- While street lighting appears adequate, additional lighting along sidewalks would improve the pedestrian environment.
- Improving the visibility and directional signage of area public parking lots may help attract additional pass-by traffic to shop at Montgomery Hills.